



Staff Report Item 18

| | |
|-----------------|--|
| To: | Ava Community Energy Authority |
| From: | Jason Bartlett, Senior Finance Manager |
| Subject: | Fiscal Year 2023-2024 Budget to Actuals and Surplus Allocations |
| Date: | November 20, 2024 |

Recommendation

Receive a report on Ava's actual financial performance to approved budget for the fiscal year ending June 30, 2024, reconciliation of net revenues from the budget to net position from the audit, and the resulting surplus revenue allocations.

Background and Discussion

June 21, 2023, the Board of Directors (the "Board") approved the fiscal year budget for July 1, 2023 through June 30, 2024 by resolution R-2023-37.

Budget to Actuals Comparison

Overall, performance of the actual revenues and expenses were within 1.6% of budgeted amounts. General highlights are as follows:

- Operating revenues were slightly under by 2%
- Operating expenditures were slightly higher by 1.6%
- Interest returns on cash holdings were higher than expected due to high interest rates through the year
- Recovered damages from undelivered contracts also contributed to net revenues
- ~\$10.5MM was recognized from GASB 62 Rate Stabilization Fund (RSF) for customer on-bill credits from the previous fiscal year (FY2022-2023) net revenues

- ~\$37.4MM was deferred to GASB 62 RSF in accordance with Board approved waterfall (discussed later in this memo)
- Actual net revenues were \$176.9MM compared to budgeted \$179.8MM

Table 1 provides the line item details on the actual performance compared to budget

| REVENUES | Budget | Actuals | |
|---|---------------------|--------------------|----------------|
| Electricity Sales | 950,386,000 | 927,809,610 | -2.4% |
| Uncollectable | (12,095,000) | (8,586,671) | -29.0% |
| Total Revenue and Other Sources | 938,291,000 | 919,222,939 | -2.0% |
| EXPENDITURES & OTHER USES | | | |
| OPERATING EXPENDITURES | | | |
| Cost of Energy | 682,367,000 | 707,476,247 | 3.7% |
| Data Management/Customer Service | 7,769,000 | 7,729,768 | -0.5% |
| PG&E Service Fees | 2,719,000 | 2,723,416 | 0.2% |
| CAISO Scheduling Coordinator | 731,000 | 708,964 | -3.0% |
| Personnel | 21,911,000 | 16,269,116 | -25.7% |
| Marketing & Communications | 5,303,000 | 2,582,110 | -51.3% |
| Legal, Policy, & Regulatory Affairs | 3,509,000 | 1,368,407 | -61.0% |
| Other Professional Services | 2,505,000 | 1,383,794 | -44.8% |
| General & Administrative | 5,711,000 | 4,332,803 | -24.1% |
| Total Current Expenditures | 732,525,000 | 744,574,625 | 1.6% |
| OTHER SOURCES & USES | | | |
| Investment Income | 1,680,000 | 13,149,786 | 682.7% |
| Other Income | 48,000 | 445,263 | 827.6% |
| Liquidated Damages | - | 15,330,202 | 100.0% |
| Interest & Financing Costs | (1,650,000) | (780,181) | -52.7% |
| Local Development Transfer | (25,500,000) | (25,500,000) | 0.0% |
| Capital Expenditures * | (500,000) | (390,397) | -21.9% |
| Total Other Sources & Uses | (25,922,000) | 2,254,673 | -108.7% |
| GROSS INCREASE (DECREASE) | 179,844,000 | 176,902,987 | -1.6% |
| Revenue Recognized from Rate Stabilization Fund** | - | 10,504,837 | 100.0% |
| Revenue Deferred to Rate Stabilization Fund | (29,844,000) | (37,407,824) | 25.3% |
| NET INCREASE (DECREASE) *** | 150,000,000 | 150,000,000 | 0.0% |

* Depreciation has been removed and is expressed as Capital Expenditures

** Amount not determinable at time of budget approval

*** Net Increase is allocated to working capital and reserves

Budget Net Revenues to Audit Net Position Reconciliation

The Budget is an internal proforma document set at the discretion of the Board. The financial statements in the Audit are standardized by generally accepted accounting

principles (GAAP) and have additional rules set forth by the Governmental Accounting Standards Board (GASB)

Ava drafts each budget in accordance with industry best practices and does best efforts to align with GAAP and GASB standards, but fundamental differences exist and reconciliation should be defined.

As presented in the audited financial statements, the change in net position was approximately \$172.7MM, and the net revenues from budget actuals is \$176.9MM.

Table 2 provides the reconciliation by line item between the audited net position and the budget actuals net revenues.

| Reconciled Item | Details | Amount | Balance |
|------------------------|--|---------------|----------------|
| Audited Net Position | <i>Includes GASB 62 Net Deferral</i> | | 172,677,755 |
| Depreciation | <i>Accrued depreciation of assets</i> | (699,331) | 173,377,086 |
| LD Budget Allocation | <i>Budgeted capital transfer to Programs</i> | 25,500,000 | 147,877,086 |
| LD Revenue from Grants | <i>FY 23/24 grant revenue in Programs</i> | 1,440,935 | 146,436,151 |
| LD Actual Expenses | <i>Actual FY 23/24 Program expenses</i> | (4,321,877) | 150,758,028 |
| Capital Outlay | <i>Capital reconcillation</i> | 390,397 | 150,367,631 |
| GASB 87 Lease | <i>Lease obligations outstanding as of 6/30/2024</i> | 367,631 | 150,000,000 |

The remaining \$150MM balance is allocated to reserve funds and working capital and is described in further details in the next section of this report.

Budget Surplus Waterfall Allocations

On January 17, 2024, the Board approved resolution R-2024-2 to more clearly define how to allocate the budget surplus. The final allocation waterfall of surplus budget revenues is to be contributed in the following manner:

- The first \$50 million is to be retained for working capital needs
- The next \$100 million is to be allocated to reserve funds
- The remaining balance is to be allocated as:
 - 60% dedicated to on-bill credits to customers with some portion specifically applied to CARE and FERA customers (recommendations will be presented in Item 18 in this meeting)
 - 40% dedicated to incentives for clean storage investment for net-billing tariff projects with an emphasis on resilience development

Table 3 shows the budgeted and actual allocations of the waterfall items

| | Allocation | Budget | Actuals | % Change |
|--|-------------|-------------|-------------|----------|
| Revenues After Operations & Other Uses | | 179,484,000 | 176,902,987 | -1.4% |
| GASB 62 RSF Recognition | | - | 10,504,837 | 100.0% |
| Net Revenues | | 179,484,000 | 187,407,824 | 4.4% |
| Contributions | | | | |
| Working Capital | 50,000,000 | 129,484,000 | 137,407,824 | 6.1% |
| Reserve Funds | 100,000,000 | 29,484,000 | 37,407,824 | 26.9% |
| Remaining | | | | |
| On-Bill Credits | 60% | 17,690,400 | 22,444,694 | 26.9% |
| Net Billing Tariff Program | 40% | 11,793,600 | 14,963,130 | 26.9% |

Reserve Fund Balance

The Reserve Fund, as established by R-2021-2 and governed by policy P10.1, works to provide a suitable cash balance to guard against expense shocks. The fund balance is set to meet annual operating expense targets. These targets meet Ava financial objectives, including but not limited to:

- Securing favorable commercial terms with vendors and power providers
- Maintain Ava’s “A Stable” credit rating
- Provide funds for unanticipated expenditures
- Maintain long-term Ava financial independence and rate stability

Table 4 shows the annual contributions and withdraws to reserve funds, reserve balances, annual operating expenses, and percent of operating expense coverage provided by the reserve fund balance.

| Contribution Year | Contribution | Withdraws | Balance | Operating Expenses | PctCoverage |
|-------------------|--------------|-----------|-------------|--------------------|-------------|
| 2018-2019 | 40,513,687 | - | 40,513,687 | 410,686,000 | 9.9% |
| 2019-2020 | 49,704,640 | - | 90,218,327 | 383,045,000 | 23.6% |
| 2020-2021 | - | - | 90,218,327 | 471,897,000 | 19.1% |
| 2021-2022 | 65,655,073 | - | 155,873,400 | 562,667,000 | 27.7% |
| 2022-2023 | 75,000,000 | - | 230,873,400 | 732,885,000 | 31.5% |
| 2023-2024 | 100,000,000 | - | 330,873,400 | 810,350,000 | 40.8% |

Fiscal Impact

There is no net impact on the current budget. There will be the recognition of the amount to cover on-bill credits from the RSF as revenue to offset the reduced revenues provided by the on-bill credit to customers.

Committee Recommendation

This was reviewed by the Finance, Administrative, & Procurement subcommittee on November 13, 2024 as an informational item. All matters raised in that meeting have been addressed in this memorandum.

Attachment

A. Presentation



FY 2023-2024 Budget Surplus, Waterfall Allocations, and Reserve Fund Balance

Board of Directors

November 20, 2024



FY 2024 Budget to Actuals

Overall, actuals came in very much aligned with net budget expectations:

- Revenue slightly under by 2%
- Overall Operating Expenditures higher by 1.6%
- Other Sources & Uses had largest variance due to elevated interest rates through the year and damages recovered from undelivered contracts
- ~\$10.5MM was recognized from GASB 62 Rate Stabilization Fund for customer On-Bill Credits from FY 2022-2023 net revenues
- ~\$37.4MM deferred to GASB 62 Rate Stabilization Fund in accordance with Board approved waterfall (discussed further)

| REVENUES | Budget | Actuals | |
|---|--------------|--------------|---------|
| Electricity Sales | 950,386,000 | 927,809,610 | -2.4% |
| Uncollectable | (12,095,000) | (8,586,671) | -29.0% |
| Total Revenue and Other Sources | 938,291,000 | 919,222,939 | -2.0% |
| EXPENDITURES & OTHER USES | | | |
| OPERATING EXPENDITURES | | | |
| Cost of Energy | 682,367,000 | 707,476,247 | 3.7% |
| Data Management/Customer Service | 7,769,000 | 7,729,768 | -0.5% |
| PG&E Service Fees | 2,719,000 | 2,723,416 | 0.2% |
| CAISO Scheduling Coordinator | 731,000 | 708,964 | -3.0% |
| Personnel | 21,911,000 | 16,269,116 | -25.7% |
| Marketing & Communications | 5,303,000 | 2,582,110 | -51.3% |
| Legal, Policy, & Regulatory Affairs | 3,509,000 | 1,368,407 | -61.0% |
| Other Professional Services | 2,505,000 | 1,383,794 | -44.8% |
| General & Administrative | 5,711,000 | 4,332,803 | -24.1% |
| Total Current Expenditures | 732,525,000 | 744,574,625 | 1.6% |
| OTHER SOURCES & USES | | | |
| Investment Income | 1,680,000 | 13,149,786 | 682.7% |
| Other Income | 48,000 | 445,263 | 827.6% |
| Liquidated Damages | - | 15,330,202 | 100.0% |
| Interest & Financing Costs | (1,650,000) | (780,181) | -52.7% |
| Local Development Transfer | (25,500,000) | (25,500,000) | 0.0% |
| Capital Expenditures * | (500,000) | (390,397) | -21.9% |
| Total Other Sources & Uses | (25,922,000) | 2,254,673 | -108.7% |
| GROSS INCREASE (DECREASE) | 179,844,000 | 176,902,987 | -1.6% |
| Revenue Recognized from Rate Stabilization Fund** | - | 10,504,837 | 100.0% |
| Revenue Deferred to Rate Stabilization Fund | (29,844,000) | (37,407,824) | 25.3% |
| NET INCREASE (DECREASE) *** | 150,000,000 | 150,000,000 | 0.0% |

* Depreciation has been removed and is expressed as Capital Expenditures

** Amount not determinable at time of budget approval

*** Net Increase is allocated to working capital and reserves



Budget Net Revenues to Audit Net Position Reconciliation

The Budget is an internal proforma document set at the discretion of the Board. The financial statements in the Audit are standardized by Generally Accepted Accounting Principles (GAAP) and have additional rules set forth by the Governmental Accounting Standards Board (GASB).

Ava drafts each budget in accordance with industry best practices and does best efforts to align with GAAP and GASB standards, but fundamental differences exist and reconciliation should be defined.

The table below reconciles the audited Net Position increase to the budget actuals Net Revenues

| Reconciled Item | Details | Amount | Balance |
|------------------------|--|---------------|----------------|
| Audited Net Position | <i>Includes GASB 62 Net Deferral</i> | | 172,677,755 |
| Depreciation | <i>Accrued depreciation of assets</i> | (699,331) | 173,377,086 |
| LD Budget Allocation | <i>Budgeted capital transfer to Programs</i> | 25,500,000 | 147,877,086 |
| LD Revenue from Grants | <i>FY 23/24 grant revenue in Programs</i> | 1,440,935 | 146,436,151 |
| LD Actual Expenses | <i>Actual FY 23/24 Program expenses</i> | (4,321,877) | 150,758,028 |
| Capital Outlay | <i>Capital reconcillation</i> | 390,397 | 150,367,631 |
| GASB 87 Lease | <i>Lease obligations outstanding as of 6/30/2024</i> | 367,631 | 150,000,000 |

The remaining \$150MM balance is allocated to reserve funds and working capital and is described in further details in the next two slides.



Waterfall Discussion

June 21, 2023, the Board of Directors (BOD) approved the fiscal year budget for July 1, 2023 through June 30, 2024 by Resolution R-2023-37.

This resolution allocated surplus revenues to abide by a waterfall of contributions in the following manner:

- The first \$50 million to be retained for working capital needs
- The next \$100 million to be allocated to reserve funds
- The remaining balance was to be split with 50% being allocated to long-term renewable energy and/or clean storage investments and 50% to be determined at a future date

January 17, 2024, the BOD approved Resolution R-2024-2, to restructure and more clearly define the remaining balance allocations as:

- 60% to be dedicated to on-bill credits with some portions specifically applied to CARE and FERA customers
- 40% to be dedicated to incentives for clean storage investments as incentives for net-billing tariff projects with an emphasis on resilience development.



Waterfall Distribution

In accordance with Board resolutions R-2023-37 and R-2024-2, the allocation of net revenues is as follows:

- The first \$50 million is recognized and retained for working capital needs
- The next \$100 million is recognized and added to the reserve fund balance
- The remaining amount is deferred to the GASB 62 Rate Stabilization Fund to be recognized in the following manner:
 - \$22,444,694 to be applied to customer bills as a credit in the current fiscal year
 - \$14,963,130 to be applied as program incentives for net billing tariff solar & storage program

| | Allocation | Budget | Actuals | % Change |
|--|-------------|-------------|-------------|----------|
| Revenues After Operations & Other Uses | | 179,484,000 | 176,902,987 | -1.4% |
| GASB 62 RSF Recognition | | - | 10,504,837 | 100.0% |
| Net Revenues | | 179,484,000 | 187,407,824 | 4.4% |
| Contributions | | | | |
| Working Capital | 50,000,000 | 129,484,000 | 137,407,824 | 6.1% |
| Reserve Funds | 100,000,000 | 29,484,000 | 37,407,824 | 26.9% |
| Remaining | | | | |
| On-Bill Credits | 60% | 17,690,400 | 22,444,694 | 26.9% |
| Net Billing Tariff Program | 40% | 11,793,600 | 14,963,130 | 26.9% |



Reserve Fund Balance

The Reserve Fund, as established by resolution R-2021-2 and governed by policy P10.1, works to provide a suitable cash balance to guard against expense shocks. The fund balance is set to meet annual operating expense targets. These targets meet Ava financial objectives, including but not limited to:

- Securing favorable commercial terms with vendors and power providers
- Maintain Ava’s “A Stable” credit rating
- Provide funds for unanticipated expenditures
- Maintain long-term Ava financial independence and rate stability

| Contribution Year | Contribution | Withdraws | Balance | OpEx to Cover | PctOps |
|--------------------------|---------------------|------------------|----------------|----------------------|---------------|
| 2018-2019 | 40,513,687 | - | 40,513,687 | 410,686,000 | 9.9% |
| 2019-2020 | 49,704,640 | - | 90,218,327 | 383,045,000 | 23.6% |
| 2020-2021 | - | - | 90,218,327 | 471,897,000 | 19.1% |
| 2021-2022 | 65,655,073 | - | 155,873,400 | 562,667,000 | 27.7% |
| 2022-2023 | 75,000,000 | - | 230,873,400 | 732,885,000 | 31.5% |
| 2023-2024 | 100,000,000 | - | 330,873,400 | 810,350,000 | 40.8% |



Thank you!



Online

AvaEnergy.org

Phone

+1 833.699.3223

Email

customer-support@AvaEnergy.org

Social

[PoweredWithAva](#)